

Kansas Cooperative Developer

A Publication of the Kansas Cooperative Development Center (KCDC)

Volume 1 Issue 4

The monthly Kansas Cooperative Developer focuses on the businesses awarded grants through the IAG program and the business and technical assistance provided by the KCDC to these recipients.

History of the Kansas Cooperative Development Center

The Kansas Cooperative Development Center (KCDC) was established in 1998 when the Arthur Capper Cooperative Center (ACCC), under the leadership of Dr. David Barton, ACCC Director and Agribusiness Professor, received a USDA Rural Cooperative Development Grant (RCDG) for \$100,000. For four consecutive years after the initial award, KCDC was successful in receiving this grant from the USDA. Additionally, the level of the grant increased from the initial \$100,000 in 1998 to \$300,000 in 2002.

and *Selecting A Business Structure. A Value-Added Reference Guide* was also developed with a great deal of information for starting a value-added business. The guide is available on the KCDC website.

In 2000 the KCDC established the Initial Assistance Grant (IAG) to assist producer groups embarking on value-added business ventures in their formative stages. The IAG has helped the KCDC identify and work with groups since that time. Since its inception, 38 applications have been approved with a total outlay of \$181,000.

KCDC started conducting research on renewable energy in 2001 when interest in the subject became prominent among Kansas producers. Two papers - *Economics Issues with Ethanol and Biodiesel: Is It Worth Considering?* - have thus far been produced. They focus on the fundamental economic questions that need to be addressed by producer-investors for producer groups to benefit from ethanol and biodiesel ventures. Since 2001 when it started its renewable energy program, KCDC has conducted 25 educational presentations to various groups interested in the basic economic factors about ethanol and biodiesel production.

The KCDC is evolving to meet the needs of Kansas producers seeking to enhance their economic well-being through value-added initiatives. Its achievements would not have been possible without the support of the USDA and KDOC and the interest of the agricultural producers of Kansas.

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But the history of the KCDC is traced to the establishment of the Kansas Cooperative Development Consortium and the Great Plains Cooperative Development Consortium by Dr. Barton in 1993 with financial support from the Cooperative Development Foundation. Chris Williams, currently vice president of business development at 21st Century Producers, was the first employee hired by Barton.

David Coltrain joined KCDC as coordinator in January 1999. A Memorandum of Understanding was signed in May 1999 between K-State, Kansas USDA and KDOCH that defined the activities of the KCDC in implementing education programs, resource development and technical assistance for group-action oriented agricultural value-added businesses.

In its first two years the KCDC developed educational material for value-added businesses including the following: *Value-Added: Opportunities and Strategies; Differences Between New Generation Cooperatives and Traditional Cooperatives; Kansas Directory of New Generation Cooperatives and Other Producer Alliances;*

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Exploratory Projects

Some Initial Assistance Grants (IAG) awarded have focused on projects exploring potential business ideas that feasibility and market studies showed were not cost-effective ideas at the time.

21st Century Alliance, Statewide

The 21st Century Alliance (now 21st Century Producers, Inc.) has developed value-added agricultural business opportunities for producers since its inception in 1995. 21st Century has received two \$5000 IAGs to examine value-added business ideas.

In February 2000 an IAG was awarded to explore the economic feasibility of processing and bagging food-grade white and yellow corn. A feasibility and market study was completed, which showed potential for moving forward. However, at this time, no processing facility has been established.

In August 2001 21st Century received a second IAG to explore dairy processing and marketing opportunities for Kansas dairymen. A number of large dairies are located in western Kansas and milk production was increasing across the state. However, during the information and evaluation period for the project, milk expansion in Kansas drastically declined leaving the current production capacity insufficient to support a dairy processing

AGvantage IP, Statewide

AGvantage IP is a non-profit corporation of 80 professional seed breeders. AGvantage IP received a \$5000 IAG in April 2002 for a market study to examine the opportunities for the production and marketing of Kansas grown durum wheat.

A K-State research report suggested that with the proper breeding, durum wheat could be a potential crop for Kansas producers. A food processor close to Kansas City expressed an interest in sourcing durum wheat from local producers. Currently, the majority of durum wheat used in Kansas is produced in North Dakota.

A price incentive of nearly \$1.50 per bushel exists to grow and deliver durum to the Kansas City area for processing when Kansas hard red winter is compared to North Dakota durum. If K-State wheat breeding develops successful durum varieties for Kansas production, this project has the potential to move forward.

Kansas Organic Producers, Statewide

KOP received an IAG for \$5000 in March 2000 with the goal of developing organic dairy production in Kansas.

They studied the feasibility of producing organic milk in Kansas and concluded that: 1)The major buyers of organic milk were not interested in obtaining organic milk from Kansas. 2) There are currently no organic dairy producers in Kansas, so dairy producers would have to transition to organic production. 3) Financial analysis showed organic dairy production could be profitable. 4)National organic milk markets are not yet reliable enough to undertake organic milk production in Kansas.

Tallgrass Prairie Producers Cooperative, Flint Hills Area

This group of ten working ranches received a \$5000 IAG in February 2001 to complete a feasibility study about an agri-tourism project focusing on the experiences tourists could enjoy

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on a ranch visit. Prior to this project, the group had marketed grass-fed beef for five years before problems led to terminating the business.

The feasibility study identified many promising activities that could be promoted. However, the members of this group decided not to pursue the project any further.

Padonia Grain Farmers, Brown County

Padonia Grain Farmers, Inc. was awarded a \$5000 IAG in September 2002 for a project focusing on identifying and marketing high protein commercial corn. PGF is a farmer-owned grain elevator located in northeast Kansas.

PGF contracted with an animal nutrition marketing consultant to identify which species of animal could most greatly benefit from the nutritional advantages of an identity persevered high protein corn.

A potential livestock feeder in another state was located that was interested in using high protein corn. However, a problem arose concerning the guaranteed availability of the high protein corn at all times. A local swine producer also showed interest in purchasing high protein corn.

The project is on hold until the logistics can be worked out between PGF and potential buyers.

Ethanol Corner

The KCDC conducts research in ethanol processing profitability. The chart below shows the average, minimum and maximum for Kansas monthly price series for seven major economic factors. ROCE refers to the return on plant facility owners' initial equity investment of approximately 44% of the total capital equipment cost and installation.

Summary of Selected Prices from 1992-2003

| | <u>unit</u> | <u>average</u> | <u>minimum</u> | <u>maximum</u> |
|-------------|-------------|----------------|----------------|----------------|
| ethanol | \$/gallon | 1.22 | 0.90 | 1.77 |
| unleaded | \$/gallon | 0.69 | 0.36 | 1.24 |
| ddg | \$/ton | 108.14 | 72.00 | 183.00 |
| corn | \$/bushel | 2.42 | 1.68 | 4.84 |
| sorghum | \$/bushel | 2.11 | 1.33 | 4.31 |
| natural gas | \$/mcf. | 3.65 | 1.96 | 10.38 |
| electricity | cents/kwh | 4.67 | 4.20 | 5.40 |
| ROCE | percent | 7.5% | -74.8% | 73.8% |

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Upcoming Events

- April 2, KCDC Consortium, Topeka (Contact: David Coltrain, 785.532-1523)
- April 3, "How to Set Up a Kitchen on a Small Budget," Kansas City (Contact: Karen Pendleton 785-843-1409)
- April 5, "Strategic Alliances: The Smart Way to Grow Profitable Businesses," Manhattan (Contact: Seleise Barrett, 785.532-1522)
- April 6, "Unmatched Innovation—from Concept to Consumer" Manhattan (Contact: Gabe Schlickau, 785-628-4509)
- April 29, "Renewable Energy and Energy Efficiency Grant Program," Salina (Contact: USDA/Rural Development, 785-271-2702)
- May 14, PetroPlus E85 Fueling Facility Opening, Garnett (Contact: Robert White, 785-448-6922)
- June 3, KCDC Consortium, Topeka (Contact: David Coltrain, 785-532-1523)

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The overall goal of the Kansas Cooperative Development Center is to improve the earnings and economic conditions of agricultural producers and other rural residents. The strategy is to encourage and to assist cooperative business development focused on value-added marketing and processing of agricultural products. The KCDC is managed by the Arthur Capper Cooperative Center (ACCC) in Kansas State University's Department of Agricultural Economics with the cooperation and assistance of two primary partners, the Kansas Department of Commerce Agriculture Products Development Division, and the cooperative development program of the Kansas USDA/Rural Development office. The KCDC is funded by a grant from USDA and matching fund support from KSU and KDOC.

Our Web address

**[http://
www.agecon.ksu.edu/
accc/kcdc/Default.htm](http://www.agecon.ksu.edu/accc/kcdc/Default.htm)**

Kansas Cooperative Development Consortium

The Kansas Cooperative Development Consortium meets regularly during the year and is a public-private partnership. This portion of the newsletter focuses on consortium members. If you are interested in joining the consortium, please contact David Coltrain.

Two consortium members represent CoBank, which has been a leader in delivering financial solutions since 1916. Cobank offers a broad range of flexible loan programs to agribusinesses, rural communications and energy systems and Farm Credit associations. CoBank's customers are local, regional and national agribusiness and other businesses serving rural America. The bank is owned by approximately 2,500 stockholders and governed by a board of directors elected by the customer-owners of the bank. CoBank is part of the Farm Credit System, a \$117-billion nationwide network of lending institutions. For additional information phone 1-800-542-8072.

| | | |
|---------|--------------|---|
| Vincent | Amanor-Boadu | Value-Added Business Development |
| David | Barton | ACCC, Professor, KSU |
| Dennis | Blick | CoBank |
| Michael | Boland | ACCC, Professor, KSU |
| Larry | Carnahan | USDA Rural Development |
| David | Coltrain | Kansas Cooperative Development Center |
| Janna | Dunbar | Kansas Dept Of Commerce |
| Jeff | Kistner | CoBank |
| Ray | Hammarlund | Kansas Dept Of Commerce |
| Dana | Hoffman | Kansas Wheat Growers |
| Mike | Irvin | Kansas Farm Bureau, Legal Foundation |
| Paul | Johnson | Kansas Rural Center |
| Kevin | Lickteig | Kansas Grain Sorghum Commission |
| Ronald | Madl | BIVAP, KSU |
| Jesse | McCurry | Kansas Dept Of Commerce |
| Janet | McPherson | Kansas Farm Bureau, Public Policy |
| Loren | Medley | Kansas Electric Power Coop. Inc. |
| Ed | Reznicek | Kansas Organic Producers |
| Gary | Satter | Glacial Hills RC&D |
| Gary | Smith | USDA Rural Development |
| Dave | Spears | Kansas Farm Bureau, Agriculture Solutions |
| Greg | Stephens | National Farmers Organization |
| Robert | White | Kansas Corn Growers Assn. |
| Chris | Williams | 21st Century Alliance |
| Meleesa | Younggren | Burns & McDonnell |